

**SAN JUAN SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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## **INDEPENDENT AUDITORS' REPORT**

**Honorable Board of Education  
San Juan School District  
Blanding, Utah 84511**

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

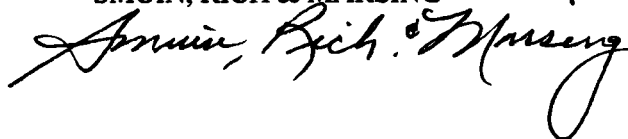
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Juan School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 11 and page 47 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2005, on our consideration of San Juan School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements of San Juan School District, taken as a whole. The combining and individual fund and schedules listed in the foregoing table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. These financial statements and schedules are also the responsibility of the management of the District. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Annun Rich Marsing", written in dark ink.

Price, Utah

August 31, 2005

## Management's Discussion and Analysis

As management of San Juan School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$42,156,871 (*net assets*). Of this amount, \$15,517,655 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$2,484,790 or 6.3%. Net assets used for governmental activities, increased \$1,432,356 while net assets used for business-type activities increased by \$1,052,434. The increase in net assets used for governmental activities was due to positive budget variances in the areas of instructional services, central support services, transportation, district administration and instructional support services.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$11,525,887 or 39.7% percent of total general fund expenditures.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and other supplementary information.

The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the district's overall financial status.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include but are not limited to student instruction, administration at the school and district level and operation and maintenance of facilities. The business-type activities of the District include staff housing, and the district's media center.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 48 and 49 of this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The budgetary comparison statement can be found on page 47 of this report.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

**Proprietary funds.** The District maintains two different types of proprietary funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its staff housing and media center activities.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District maintains one internal service fund to account for its centralized warehouse. Because these warehouse services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The District maintains two fiduciary funds. The County Recreation Fund is maintained to account for resources held for San Juan County for county recreation programs. Also, the Student Activity Fund is maintained to account for resources held for student activities and groups.

The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 46 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain Combining and individual fund statements and schedules that provides additional detail on certain non-major funds. Combining and individual fund statements and schedules can be found on pages 47 through 51 of this report.

#### **Government-wide Financial Analysis:**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$42,156,871 at the close of the most recent fiscal year.

The largest portion of the District's net assets (53 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding (see summary below). The District uses these capital assets to provide services to students and other patrons; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**SAN JUAN SCHOOL DISTRICT'S Net Assets**

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2004-2005
	2004	2005	2004	2005	2004	2005	
Current and other assets	\$ 27,606,718	\$ 28,774,814	\$ 627,365	\$ 628,886	\$ 28,234,083	\$ 29,403,700	4.1%
Capital assets	24,490,358	24,072,992	2,284,232	3,335,209	26,774,590	27,408,201	2.4%
<b>Total assets</b>	<b>\$ 52,097,076</b>	<b>\$ 52,847,806</b>	<b>\$ 2,911,597</b>	<b>\$ 3,964,095</b>	<b>\$ 55,008,673</b>	<b>\$ 56,811,901</b>	<b>3.3%</b>
Long-term liabilities outstanding	\$ 7,459,853	\$ 6,785,334			\$ 7,459,853	\$ 6,785,334	-9.0%
Other liabilities	7,876,361	7,869,254	\$ 378	\$ 442	7,876,739	7,869,696	-0.1%
<b>Total liabilities</b>	<b>\$ 15,336,214</b>	<b>\$ 14,654,588</b>	<b>\$ 378</b>	<b>\$ 442</b>	<b>\$ 15,336,592</b>	<b>\$ 14,655,030</b>	<b>-4.4%</b>
Net Assets:							
Invested in capital assets, net of related debt	\$ 18,936,992	\$ 19,141,798	\$ 2,284,232	\$ 3,335,209	\$ 21,221,224	\$ 22,477,007	5.9%
Restricted	3,691,470	3,878,572	329,035	283,637	4,020,505	4,162,209	3.5%
Unrestricted	14,132,400	15,172,848	297,952	344,807	14,430,352	15,517,655	7.5%
<b>Total net assets</b>	<b>\$ 36,760,862</b>	<b>\$ 38,193,218</b>	<b>\$ 2,911,219</b>	<b>\$ 3,963,653</b>	<b>\$ 39,672,081</b>	<b>\$ 42,156,871</b>	<b>6.3%</b>

An additional portion of the District's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$15,517,655) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net asset amount has been designated for the following purposes:

- Designation for undistributed reserve of \$1,500,000 or 5% of general fund budgeted revenues. As allowed by state law, the district has established an undistributed reserve within the general fund to allow for contingencies and possible reductions in state or federal aid. This designation may not be used in negotiation or settlement of contract salaries.
- Designation for program carryovers of \$1,459,170. This designation represents amounts allocated for certain programs that were not utilized during the fiscal year. These unused amounts will be reallocated for use in these programs in subsequent years.
- Capital outlay and building reserve funds of \$8,083,017 that may only be used for capital outlay purposes. Generally, these funds may not be expended for employee wages or benefits or for most operating functions of the district.
- District retirement benefit. The District provides a retirement benefit for eligible retired employees. This benefit is recorded as an expense as it is paid to employees. Employees who elect to retire and are eligible for the District's retirement benefit receive payments for up to five years. The District estimates its retirement benefit obligation for current retirees is \$2,282,340 as of June 30, 2005.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The District's total net assets increased by \$2,484,790 or 6.3%. Net assets used for governmental activities increased \$1,432,356 while net assets used for business-type activities increased by \$1,052,434. The increase in net assets used for governmental activities was due to positive budget variances in the areas of instructional services, central support services, transportation, district administration and instructional support services. The increase in net assets used for business activities was due to the transfer of funds into the rental units fund in the amount of \$1,170,992. These funds were used to renovate housing units in the Montezuma Creek area.

Following is a summary of changes in net assets from operating results:

**SAN JUAN SCHOOL DISTRICT'S Changes in Net Assets from Operating Results**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Total Percentage Change 2004-2005</b>
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	
Charges for Services	\$ 370,447	\$ 241,495	\$ 302,405	\$ 372,788	\$ 672,852	\$ 614,283	-8.7%
Operating grants and contributions	11,466,563	11,832,667	-	-	11,466,563	11,832,667	3.2%
Capital grants and contr.	142,617	157,424	-	-	142,617	157,424	10.4%
General revenues:							
Property taxes	4,158,500	4,193,538	-	-	4,158,500	4,193,538	0.8%
Federal and state aid not restricted	18,317,720	18,263,968	-	-	18,317,720	18,263,968	-0.3%
Earnings on investments	284,488	536,712	10,032	12,851	294,520	549,563	86.6%
Miscellaneous	840,066	488,004	-	-	840,066	488,004	-41.9%
Total revenues	<u>\$ 35,580,401</u>	<u>\$ 35,713,808</u>	<u>\$ 312,437</u>	<u>\$ 385,639</u>	<u>\$ 35,892,838</u>	<u>\$ 36,099,447</u>	0.6%
<b>Expenses:</b>							
Instructional services	\$ 18,202,267	\$ 18,333,825	-	-	\$ 18,202,267	\$ 18,333,825	0.7%
Supporting services:							
Students	1,492,332	1,520,019	-	-	1,492,332	1,520,019	1.9%
Instructional staff	2,288,949	2,378,248	-	-	2,288,949	2,378,248	3.9%
District administration	257,128	259,611	-	-	257,128	259,611	1.0%
School administration	1,665,468	1,631,501	-	-	1,665,468	1,631,501	-2.0%
Business	18,558	17,462	-	-	18,558	17,462	-5.9%
Operation and maintenance of facilities	3,820,167	4,008,468	-	-	3,820,167	4,008,468	4.9%
Transportation	1,981,060	1,917,398	-	-	1,981,060	1,917,398	-3.2%
Central	594,088	869,212	-	-	594,088	869,212	46.3%
School lunch services	1,246,339	1,284,489	-	-	1,246,339	1,284,489	3.1%
Capital outlay	1,247,763	618,548	-	-	1,247,763	618,548	-50.4%
Interest on L-T liabilities	271,041	227,038	-	-	271,041	227,038	-16.2%
Rental Units	-	-	\$ 214,687	\$ 233,227	214,687	233,227	8.6%
Media Center	-	-	221,923	261,150	221,923	261,150	17.7%
Total Expenses	<u>\$ 33,085,160</u>	<u>\$ 33,065,819</u>	<u>\$ 436,610</u>	<u>\$ 494,377</u>	<u>\$ 33,521,770</u>	<u>\$ 33,560,196</u>	0.1%
Excess (deficiency) before special items and transfers	\$ 2,495,241	\$ 2,647,989	\$ (124,173)	\$ (108,738)	\$ 2,371,068	\$ 2,539,251	7.1%
Loss on sale of assets	-	(44,641)	-	(9,820)	-	(54,461)	n/a
Transfers	(517,162)	(1,170,992)	517,162	1,170,992	-	-	
<b>Increase (decrease) in net assets</b>	<u>\$ 1,978,079</u>	<u>\$ 1,432,356</u>	<u>\$ 392,989</u>	<u>\$ 1,052,434</u>	<u>\$ 2,371,068</u>	<u>\$ 2,484,790</u>	4.8%
Net assets - beginning	35,076,404	36,760,862	2,518,230	2,911,219	37,594,634	39,672,081	5.5%
Prior Period Adjustment	(293,621)	-	-	-	-	-	
Net assets - ending	<u>\$ 36,760,862</u>	<u>\$ 38,193,218</u>	<u>\$ 2,911,219</u>	<u>\$ 3,963,653</u>	<u>\$ 39,672,081</u>	<u>\$ 42,156,871</u>	6.3%

**Governmental activities.** Governmental activities increased the District's net assets by \$1,432,356 thereby accounting for 58 percent of the total growth in the net assets of the District. Key elements that contributed to this growth are as follows:

- Combined positive budget variances in the areas of instructional services, central support services, transportation, district administration and instructional support services.

**Business-type activities.** Business activities net assets increased by \$1,052,434 due to a transfer of \$1,170,992 from capital outlay funds. The funds transferred from capital outlay were used to renovate housing units in Montezuma Creek.

### **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,733,340, an increase of \$1,116,299 in comparison with the prior year. Most of this total amount (\$19,974,709) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$758,631).

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11,525,887. None of the general fund's fund balance was reserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 39.7 percent of total general fund expenditures. Total fund balance also represents 39.7 percent of that same amount.

During the current fiscal year, the fund balance of the District's general fund increased by \$295,793. Key factors in this growth are as follows:

- Combined positive budget variances in instructional services, central support services and various other budget categories.

The capital projects fund has a total fund balance of \$5,328,881, all of which must be used for capital outlay expenditures. The net increase in fund balance during the current year in the capital projects fund was \$609,649.

The debt service fund has a total fund balance of \$758,631. All of the fund balance in the debt service fund is reserved to pay for general obligation debt. The amount reported as debt service fund total fund balance in this report is slightly more than one year's payment of principal and interest on the District's general obligation bonds.

The building reserve fund has a total fund balance of \$2,754,136. None of the fund balance in the building reserve fund has been treated as reserved or designated; however, building reserve fund resources may only be expended for capital outlay purposes related to the acquisition or construction of school facilities. Funds are being accumulated in the building reserve fund to deal with future construction and renovation needs in the District.

**Proprietary funds.** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the rental units at the end of the year amounted to \$344,807. The non-major business type funds (media center) did not have any unrestricted net assets at year's end. Rental unit unrestricted net assets increased by \$46,855 from the prior year while non-major business type funds restricted net assets decreased by \$51,031 for the year.

### **General Fund Budgetary Highlights**

The District is required by state statute to adopt a budget for its governmental funds prior to June 22 of each year. Because reliable information regarding state aid, federal aid, and property tax revenues is rarely available by the time the budget must be adopted, the budget is usually amended at least one time during the course of the fiscal year. In fiscal year 2005, however, the general fund budget was not amended. As a result, revenues and expenditures from federal aid were approximately \$1.5 million less than budgeted amounts.

### **Capital Asset and Debt Administration**

**Capital assets:** The District's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$27,408,201 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, and various types of machinery and equipment. The District's total investment in capital assets net of depreciation increased by 2.4 percent due mostly to the remodel of housing at Montezuma Creek.

The District completed the renovation of 29 housing units in Montezuma Creek during the year. The project cost approximately \$1.3 million over a two-year period. In addition to the Montezuma Creek project, the District completed various maintenance projects in accordance with its 5-year maintenance plan such as re-roofing, concrete replacement, boiler replacement, carpet replacement, etc. The district also purchased significant technology equipment in accordance with its technology plan.

A summary of capital assets as of June 30, 2004 and 2005 is outlined below:

**SAN JUAN SCHOOL DISTRICT'S Capital Assets**  
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Land	\$ 282,505	\$ 282,505	\$ 78,389	\$ 78,390	\$ 360,894	\$ 360,895
Work in progress		93,664	283,121	-		93,664
Buildings	20,963,380	20,033,572	1,440,987	2,775,357	22,404,367	22,808,929
Improvements	913,748	1,212,554	480,588	467,873	1,394,336	1,680,427
Vehicles	1,377,061	1,238,316			1,377,061	1,238,316
Technology	230,746	158,068			230,746	158,068
Equipment	722,918	1,054,313	1,147	13,589	724,065	1,067,902
<b>Total</b>	<b>\$ 24,490,358</b>	<b>\$ 24,072,992</b>	<b>\$ 2,284,232</b>	<b>\$ 3,335,209</b>	<b>\$ 26,491,469</b>	<b>\$ 27,408,201</b>

Additional information on the District's capital assets can be found in note 4 on pages 34 through 37 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had \$6,785,334 in general-obligation bonds and other long-term debt outstanding (a reduction of 9 percent from the previous year as summarized in the table below). Of the total amount of long-term debt, \$4,460,000 is backed by the full faith and credit of the district. More detailed information about the District's long-term liabilities is presented in note 6 on pages 38 and 39 of this report.

**SAN JUAN SCHOOL DISTRICT'S Outstanding Debt**

	Governmental Activities	
	2004	2005
General obligation bonds	\$ 4,805,000	\$ 4,460,000
Other long-term debt	2,654,853	2,325,334
<b>Total long-term debt</b>	<b>\$ 7,459,853</b>	<b>\$ 6,785,334</b>

## Factors Bearing on the District's Future

- The District's tax base (assessed valuation) increased by \$15,162,235 or 3.7% from fiscal year 2004 to fiscal year 2005. Most of the increase in the district's tax base was in the area of locally assessed properties. The district's debt service and capital outlay activities are funded almost entirely from local property tax revenues generated by the District's tax base. As the District's tax base increases, more resources are available for debt service and capital outlay activities.
- The District's student population declined significantly from 2000 to 2003. In 2004, the District's student population remained stable for the first time in several years; however, the student population began declining again in 2005 and continued declining in fiscal year 2006. Changes in student population are an important economic factor because the number of students enrolled in District schools or WPU's (weighted pupil units) is the single biggest factor in determining the amount of aid that the District receives from the state. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide funding equal to the guarantee (\$2,182 in fiscal year 2005) it will make up the difference with "state aid."

These factors were considered in preparing the District's budget for fiscal year 2006.

### SAN JUAN SCHOOL DISTRICT'S Changing Enrollment

District Fiscal Year	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
October 1 Enrollment	3,308	3,146	3,038	2,978	2,979	2,950	2,912
Increase (decrease) from prior year	(122)	(162)	(108)	(60)	1	(29)	(38)
Percentage increase (decrease) from prior year	3.6%	4.9%	3.4%	2.0%	0.0%	1.0%	1.3%

## Request for Information

This financial report is designed to provide a general overview of San Juan School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Business Administrator, San Juan School District, 200 North Main, Blanding, UT 84511.

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 22,538,541	\$ 562,193	\$ 23,100,734
Receivables:			
Property taxes	3,797,708		3,797,708
Other governments	2,188,132	58,339	2,246,471
Inventories	258,787		258,787
Internal balances	(8,354)	8,354	
Capital assets:			
Land, construction in progress, and water stock	376,169	78,390	454,559
Other capital assets, net of depreciation	23,696,823	3,256,819	26,953,642
Total assets	<u>\$ 52,847,806</u>	<u>\$ 3,964,095</u>	<u>\$ 56,811,901</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 543,102	\$ 84	\$ 543,186
Accrued interest	120,844		120,844
Sales tax payable	107	358	465
Accrued salaries	2,351,981		2,351,981
Deferred revenue:			
Property taxes	3,707,255		3,707,255
Other governments	1,145,965		1,145,965
Noncurrent liabilities:			
Due within one year	1,115,990		1,115,990
Due in more than one year	5,669,344		5,669,344
Total liabilities	<u>\$ 14,654,588</u>	<u>\$ 442</u>	<u>\$ 14,655,030</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 19,141,798	\$ 3,335,209	\$ 22,477,007
Restricted for:			
School lunch	243,762		243,762
Non K-12 programs	45,397		45,397
San Juan Foundation	76,646		76,646
Capital projects	2,754,136		2,754,136
Debt service	758,631		758,631
Other		283,637	283,637
Unrestricted	15,172,848	344,807	15,517,655
Total net assets	<u>\$ 38,193,218</u>	<u>\$ 3,963,653</u>	<u>\$ 42,156,871</u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Governmental activities:						
Instructional services:						
Students	\$ 18,333,825	\$ 19,276	\$ 6,770,091	\$ 157,424	\$ (11,387,034)	\$ (11,387,034)
Supporting services:						
Instructional staff	1,520,019		978,011		(542,008)	(542,008)
District administration	2,378,248		1,155,422		(1,222,826)	(1,222,826)
School administration	259,611				(259,611)	(259,611)
Business	1,631,501				(1,631,501)	(1,631,501)
Operation and maintenance of facilities	17,462		2,595		(14,867)	(14,867)
Transportation	4,008,468		717,915		(3,290,553)	(3,290,553)
Central	1,917,398		1,176,425		(740,973)	(740,973)
School lunch services	869,212		733		(868,479)	(868,479)
Capital outlay	1,284,489	222,219	1,031,475		(30,795)	(30,795)
Interest on long-term liabilities	618,548				(618,548)	(618,548)
	227,038				(227,038)	(227,038)
<b>Total governmental activities</b>	<b>\$ 33,065,819</b>	<b>\$ 241,495</b>	<b>\$ 11,832,667</b>	<b>\$ 157,424</b>	<b>\$ (20,834,233)</b>	<b>\$ (20,834,233)</b>
Business-type activities:						
Rental units	\$ 233,227	\$ 158,319			\$ (74,908)	\$ (74,908)
Media Center	261,150	214,469			(46,681)	(46,681)
<b>Total business-type activities</b>	<b>\$ 494,377</b>	<b>\$ 372,788</b>	<b>\$</b>	<b>\$</b>	<b>\$ (121,589)</b>	<b>\$ (121,589)</b>
<b>Total governmental and business-type activities</b>	<b>\$ 33,560,196</b>	<b>\$ 614,283</b>	<b>\$ 11,832,667</b>	<b>\$ 157,424</b>	<b>\$ (20,834,233)</b>	<b>\$ (20,955,822)</b>
General revenues:						
Property taxes levied for:						
General purposes				\$ 1,117,790	\$	\$ 1,117,790
Transportation				144,655		144,655
Recreation				144,655		144,655
Debt service				647,782		647,782
Capital outlay				2,138,656		2,138,656
Federal and state aid not restricted to specific purposes				18,263,968		18,263,968
Earnings on investments				536,712	\$ 12,851	549,563
Loss on sale of capital assets				(44,641)	(9,820)	(54,461)
Miscellaneous				488,004		488,004
Transfers in (out)				(1,170,992)		
<b>Total general revenues and transfers</b>				<b>\$ 22,266,589</b>	<b>\$ 1,174,023</b>	<b>\$ 23,440,612</b>
Change in net assets				\$ 1,432,356	\$ 1,052,434	\$ 2,484,790
<b>Net assets - beginning</b>				<b>36,760,862</b>	<b>2,911,219</b>	<b>39,672,081</b>
<b>Net assets - ending</b>				<b>\$ 38,193,218</b>	<b>\$ 3,963,653</b>	<b>\$ 42,156,871</b>

"The notes to the financial statements are an integral part of this statement."



**SAN JUAN SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	GENERAL FUND	CAPITAL PROJECTS FUND	BUILDING RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>					
Cash and investments	\$ 13,431,716	\$ 5,283,742	\$ 2,754,136	\$ 1,017,008	\$ 22,486,602
Due from other governmental units	2,022,212			146,440	2,168,652
Inventory				28,681	28,681
Property taxes receivable	1,157,270	2,000,556		639,882	3,797,708
<b>Total assets</b>	<b>\$ 16,611,198</b>	<b>\$ 7,284,298</b>	<b>\$ 2,754,136</b>	<b>\$ 1,832,011</b>	<b>\$ 28,481,643</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 543,074			\$ 28	\$ 543,102
Accrued salaries and liabilities	2,351,981				2,351,981
<b>Deferred revenue:</b>					
Local sources	203,467				203,467
Property taxes	1,111,956	\$ 1,955,417		639,882	3,707,255
Other governments	874,833			67,665	942,498
<b>Total liabilities</b>	<b>\$ 5,085,311</b>	<b>\$ 1,955,417</b>	<b>\$ ...</b>	<b>\$ 707,575</b>	<b>\$ 7,748,303</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Debt service				\$ 758,631	\$ 758,631
<b>Unreserved:</b>					
<b>Designated for:</b>					
Undistributed reserve	\$ 1,500,000				1,500,000
Contingency	21,148				21,148
Technology	44,488				44,488
Schools	190,025				190,025
Purchase services	31,633				31,633
Legal fees	451,810				451,810
Early retirement	2,282,340				2,282,340
School trust lands	28,957				28,957
Carryover	500,000				500,000
Improvements and equipment	191,109	\$ 1,240,533			1,431,642
Preschool				45,397	45,397
<b>Undesignated, reported in:</b>					
General fund	6,284,377				6,284,377
Special revenue funds				320,408	320,408
Capital projects fund		4,088,348	\$ 2,754,136		6,842,484
<b>Total fund balances</b>	<b>\$ 11,525,887</b>	<b>\$ 5,328,881</b>	<b>\$ 2,754,136</b>	<b>\$ 1,124,436</b>	<b>\$ 20,733,340</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,611,198</b>	<b>\$ 7,284,298</b>	<b>\$ 2,754,136</b>	<b>\$ 1,832,011</b>	<b>\$ 28,481,643</b>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds:</b>	<b>\$ 20,733,340</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$56,472,291 and the accumulated depreciation is \$32,399,299.	24,072,992
To recognize interest accrual to year end. Accrued interest for general obligation bonds is \$108,904 and accrued interest for obligations under capital leases is \$11,940.	(120,844)
Accumulated effect of crossover amounts charged to business type activities from Internal Service Fund activity.	(8,356)
Internal service funds are used by management to charge the costs of warehouse services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	301,415
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(6,785,329)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 38,193,218</u></b>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>BUILDING RESERVE</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
Property taxes	\$ 1,262,445	\$ 2,138,656		\$ 792,437	\$ 4,193,538
Earnings on investments	468,261		\$ 65,722	2,730	536,713
School lunch sales				222,219	222,219
Other local sources	513,381	71,250		46,758	631,389
State aid	16,228,252	466,762		666,374	17,361,388
Federal aid	10,902,650		787,410	1,078,499	12,768,559
<b>Total revenues</b>	<b>\$ 29,374,989</b>	<b>\$ 2,676,668</b>	<b>\$ 853,132</b>	<b>\$ 2,809,017</b>	<b>\$ 35,713,806</b>
<b>EXPENDITURES:</b>					
Current:					
Instructional services	\$ 16,634,487			\$ 764,971	\$ 17,399,458
Supporting services:					
Students	1,495,947				1,495,947
Instructional staff	2,357,105				2,357,105
District administration	284,998				284,998
School administration	1,593,113				1,593,113
Operation and maintenance of facilities	3,789,402				3,789,402
Transportation	2,018,775				2,018,775
Central	865,164				865,164
Other	1,205				1,205
School lunch services				1,229,826	1,229,826
Capital outlay		\$ 1,820,451			1,820,451
Debt service:					
Principal retirement				345,000	345,000
Interest and fiscal charges				226,071	226,071
<b>Total expenditures</b>	<b>\$ 29,040,196</b>	<b>\$ 1,820,451</b>	<b>\$ ...</b>	<b>\$ 2,565,868</b>	<b>\$ 33,426,515</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$ 334,793</b>	<b>\$ 856,217</b>	<b>\$ 853,132</b>	<b>\$ 243,149</b>	<b>\$ 2,287,291</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in (out)	\$ (39,000)	\$ (246,568)	\$ (800,000)	\$ (85,424)	\$ (1,170,992)
<b>Total other financing sources (uses)</b>	<b>\$ (39,000)</b>	<b>\$ (246,568)</b>	<b>\$ (800,000)</b>	<b>\$ (85,424)</b>	<b>\$ (1,170,992)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ 295,793</b>	<b>\$ 609,649</b>	<b>\$ 53,132</b>	<b>\$ 157,725</b>	<b>\$ 1,116,299</b>
<b>FUND BALANCES - beginning of year</b>	<b>11,230,094</b>	<b>4,719,232</b>	<b>2,701,004</b>	<b>966,711</b>	<b>19,617,041</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 11,525,887</b>	<b>\$ 5,328,881</b>	<b>\$ 2,754,136</b>	<b>\$ 1,124,436</b>	<b>\$ 20,733,340</b>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	1,116,299
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlays	\$ 1,482,545	
Loss on disposal of capital assets	(44,641)	
Depreciation expense	<u>(1,844,228)</u>	(406,324)

Fixed assets acquired by capital leases are shown as an expenditure and other financing source in the governmental funds. The other financing source must be removed from the statement of activities; principal payments are applied to the lease liability; interest expense is recognized as it accrues.

Interest expense - capital leases	\$ 14,590	
Principal payments of capital leases	<u>262,583</u>	277,173

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 345,000	345,000
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In the statement of activities, certain operating expenses—compensated absences (vacations), special termination benefits (early retirement), and claims (arbitrage rebates) — are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$13,605, and early retirement payable decreased by \$80,543.

66,938

Internal service funds are used by the District to charge the costs of warehouse services to individual funds. The net revenue of the internal service funds is reported with governmental activities.

33,270

Change in net assets of governmental activities

\$ 1,432,356

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	RENTAL UNITS	NONMAJOR BUSINESS-TYPE FUNDS	TOTAL	
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments	\$ 316,402	\$ 245,791	\$ 562,193	\$ 51,939
Receivables (net):				
Other governments	28,405	29,934	58,339	19,480
Inventory				230,106
Total current assets	\$ 344,807	\$ 275,725	\$ 620,532	\$ 301,525
Noncurrent assets:				
Land	\$ 78,389	\$ 1	\$ 78,390	
Building	4,091,224	35,000	4,126,224	\$ 20,000
Improvements	508,611		508,611	
Equipment		50,950	50,950	52,709
Less: Accumulated depreciation	(1,367,157)	(61,809)	(1,428,966)	(65,230)
Total noncurrent assets	\$ 3,311,067	\$ 24,142	\$ 3,335,209	\$ 7,479
Total assets	\$ 3,655,874	\$ 299,867	\$ 3,955,741	\$ 309,004
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable		\$ 84	\$ 84	
Sales tax payable		358	358	\$ 110
Total current liabilities	\$ ...	\$ 442	\$ 442	\$ 110
Net Assets:				
Investment in capital assets, net of related debt	\$ 3,311,067	\$ 24,142	\$ 3,335,209	\$ 7,479
Restricted		275,283	275,283	301,415
Unrestricted	344,807		344,807	
Total net assets	\$ 3,655,874	\$ 299,425	\$ 3,955,299	\$ 308,894
Total liabilities and net assets	\$ 3,655,874	\$ 299,867	\$ 3,955,741	\$ 309,004
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			8,354	
Net assets of business-type activities			\$ 3,963,653	

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</b>			
	<b>RENTAL UNITS</b>	<b>NONMAJOR BUSINESS-TYPE FUNDS</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUND</b>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 140,011	\$ 214,469	\$ 354,480	\$ 400,983
Miscellaneous	18,308		18,308	
<b>Total operating revenues</b>	<b>\$ 158,319</b>	<b>\$ 214,469</b>	<b>\$ 372,788</b>	<b>\$ 400,983</b>
<b>OPERATING EXPENSES:</b>				
Employee salaries and benefits	\$ 78,601	\$ 85,860	\$ 164,461	
Travel and per diem		1,336	1,336	\$ 307
Housing committee	6,037		6,037	
Contractual services	1,127		1,127	
Supplies	17,562	76,264	93,826	350,498
Resale goods at cost		86,002	86,002	
Fuel and oil	3,663		3,663	
Postage and freight		2,546	2,546	
Repairs and maintenance	189	2,081	2,270	
Depreciation	115,582	3,532	119,114	11,042
Rent	2,649		2,649	
Insurance	7,817	9,005	16,822	
Telephone		157	157	234
<b>Total expenditures</b>	<b>\$ 233,227</b>	<b>\$ 266,783</b>	<b>\$ 500,010</b>	<b>\$ 362,081</b>
<b>Operating income/(loss)</b>	<b>\$ (74,908)</b>	<b>\$ (52,314)</b>	<b>\$ (127,222)</b>	<b>\$ 38,902</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest revenue		\$ 12,851	\$ 12,851	
Loss on sale of fixed assets	\$ (9,820)		(9,820)	
<b>Total non-operating revenues (expenses)</b>	<b>\$ (9,820)</b>	<b>\$ 12,851</b>	<b>\$ 3,031</b>	<b>\$ ...</b>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>			
	<u>RENTAL UNITS</u>	<u>NONMAJOR BUSINESS-TYPE FUNDS</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
Income/(loss) before operating transfers	\$ (84,728)	\$ (39,463)	\$ (124,191)	\$ 38,902
OPERATING TRANSFERS IN (OUT):				
Transfers in	<u>1,170,992</u>	<u></u>	<u>1,170,992</u>	<u></u>
Net income/(loss)	\$ 1,086,264	\$ (39,463)	\$ 1,046,801	\$ 38,902
RETAINED EARNINGS/ FUND BALANCES, July 1,	<u>2,569,610</u>	<u>338,888</u>		<u>269,992</u>
RETAINED EARNINGS/ FUND BALANCES, June 30,	<u>\$ 3,655,874</u>	<u>\$ 299,425</u>		<u>\$ 308,894</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>5,633</u>	
Change in net assets of business-type activities			<u>\$ 1,052,434</u>	

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPERETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	RENTAL UNITS	NONMAJOR BUSINESS-TYPE FUNDS	TOTAL	INTERNAL SERVICE FUND
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 139,100	\$ 190,125	\$ 329,225	\$ 394,664
Payments to suppliers	(39,044)	(177,327)	(216,371)	(345,732)
Payments to employees	(78,601)	(85,860)	(164,461)	
Net cash provided (used) by operating activities	\$ 21,455	\$ (73,062)	\$ (51,607)	\$ 48,932
<b>Cash Flows From Noncapital Financing Activities:</b>				
Repayment of loan to other funds	\$ (72,690)		\$ (72,690)	
Transfers in	1,170,992		1,170,992	
Net cash provided (used) by noncapital financing activities	\$ 1,098,302	\$ ...	\$ 1,098,302	\$ ...
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition of capital assets	\$ (1,170,992)	\$ (15,100)	\$ (1,186,092)	
Proceeds from sale of capital assets	6,181		6,181	
Net cash provided (used) by capital and related financing activities	\$ (1,164,811)	\$ (15,100)	\$ (1,179,911)	\$ ...
<b>Cash Flows From Investing Activities:</b>				
Interest received	\$ ...	\$ 12,851	\$ 12,851	\$ ...
Net cash provided (used) by investing activities	\$ ...	\$ 12,851	\$ 12,851	\$ ...
Net increase (decrease) in cash and cash equivalents	\$ (45,054)	\$ (75,311)	\$ (120,365)	\$ 48,932
Cash and cash equivalents, July 1	361,456	321,102	682,558	3,007
Cash and cash equivalents, June 30	\$ 316,402	\$ 245,791	\$ 562,193	\$ 51,939

"The notes to the financial statements are an integral part of this statement."



**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPERETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>RENTAL UNITS</u>	<u>NONMAJOR BUSINESS-TYPE FUNDS</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	<u>\$ (74,908)</u>	<u>\$ (52,314)</u>	<u>\$ (127,222)</u>	<u>\$ 38,902</u>
Adjustments to reconcile operating income (loss) to to net cash provided (used) by operating activities:				
Depreciation expense	\$ 115,582	\$ 3,532	\$ 119,114	\$ 11,042
(Increase) Decrease in accounts receivable	(19,219)	(24,344)	(43,563)	(6,319)
Decrease in inventory				5,197
Decrease in accounts payable		(294)	(294)	
Increase (Decrease) in sales tax payable		358	358	110
Total adjustments	<u>\$ 96,363</u>	<u>\$ (20,748)</u>	<u>\$ 75,615</u>	<u>\$ 10,030</u>
Net cash provided (used) by operating activities	<u>\$ 21,455</u>	<u>\$ (73,062)</u>	<u>\$ (51,607)</u>	<u>\$ 48,932</u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<u>COUNTY RECREATION</u>	<u>STUDENT ACTIVITY AGENCY FUND</u>
<b><u>ASSETS</u></b>		
Cash and investments	<u>\$ 1,168,651</u>	<u>\$ 228,673</u>
Total assets	<u>\$ 1,168,651</u>	<u>\$ 228,673</u>
<b><u>LIABILITIES</u></b>		
Due school activities	<u></u>	<u>\$ 228,673</u>
Total liabilities	<u>\$ ...</u>	<u>\$ 228,673</u>
<b><u>NET ASSETS</u></b>		
Held in trust	<u>\$ 1,168,651</u>	<u>\$ ...</u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>COUNTY RECREATION</u>
<b>ADDITIONS:</b>	
Contributions:	
Plan members/contribution	\$ 186,893
Investment earnings:	
Interest	<u>27,811</u>
Total additions	<u>\$ 214,704</u>
<b>DEDUCTIONS:</b>	
Professional services	<u>\$ 90,000</u>
Total deductions	<u>\$ 90,000</u>
Change in net assets	\$ 124,704
Net assets - beginning of the year	<u>1,043,947</u>
Net assets - end of the year	<u>\$ 1,168,651</u>

"The notes to the financial statements are an integral part of this statement."

**SAN JUAN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The financial statements of San Juan School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. Reporting Entity**

The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its component unit, San Juan Education Foundation, for which the District is considered to be financially accountable. The District is not a component unit of any other primary government. A blended component unit, although a legally separate entity, is, in substance part of the District's operations.

**Blended component unit.** The San Juan Education Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Board of Education. The foundation exclusively services the District. The Foundation is presented as a special revenue fund of the District.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the governmental nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Government-Wide and Fund Financial Statements (Continued)**

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.
- The Building Reserve Fund is used to accumulate resources for the construction of new buildings for District.

The government reports the following major proprietary fund:

- The Rental Unit Fund accounts for the operation of and maintenance of the housing facilities located at several of the outlying school locations.

Additionally, the government reports the following fund types:

- Internal Service Fund (proprietary fund) accounts for warehouse services provided to other funds of the District on a cost reimbursement basis.
- The student activities agency fund (a fiduciary fund) accounts for assets held on behalf of student groups.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Rental Unit Fund and Internal Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include wages and benefits, operating maintenance cost, depreciation and other general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources and then unrestricted resources, as they are needed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the trust or agency funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- 2) Copies of the proposed budget are made available for public inspection and by review of the patrons of the District.
- 3) If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- 4) Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- 5) Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the fund level.

**E. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**G. Inventories**

The District maintains material inventory balances in its internal service fund. Inventory is valued at the lower of cost or market value and the District uses the first-in, first-out (FIFO) flow assumption determined by the moving weighted average method. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Federal food commodities inventory is disclosed separately with an offset to deferred revenue. Federal food commodities inventory is valued according to published price lists provided by the U.S. Department of Agriculture.

**H. Capital Assets**

Capital assets, which include land, buildings, improvements, vehicles, technology and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, vehicles, technology and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Improvements	20
Vehicles	5-8
Technology	5
Equipment	5-20



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

I. **Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Employees may accumulate up to 120 days and will be paid for a portion of these days based on the number of year of service in the District. For employees with 10 or more years of service, the district will pay employees 10% of the number of days of accumulated sick leave. For employees with 20 or more years of service, the District will pay employees 20% of the number of days of vested sick leave. The rate per day will be determined from the employee's current salary or wage rate. The District will also pay up to one year's equivalent of earned vacation leave based on the prior years wage schedule.

J. **Early Retirement**

The District has adopted a policy to permit eligible employees to take an early retirement. The District will pay, up to five years, annual pension benefits equal to thirty percent of the employees highest contract salary for the previous five years. During the early retirement period, the District continues to provide life insurance for the employee and dependants. Employees may also purchase, at their own expense, health and accident insurance as part of the District's insurance plan at the rate charged for retirees. The total accumulated early retirement liability is reported in the government-wide financial statements.

K. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

L. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

Deposits and investing for the District and its blended component unit is governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

## **2. DEPOSITS AND INVESTMENTS (Continued)**

### **Deposits**

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the District's bank balance of cash on deposit was \$1,122,193 of this amount \$463,704 was insured. But \$658,489 of the deposits are uninsured and uncollateralized.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. **DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$24,521,571	\$24,521,571			
Total Investments	<u>\$24,521,571</u>	<u>\$24,521,571</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 24,521,571				\$ 24,521,571
Total	<u>\$ 24,521,571</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 24,521,571</u>

## **2. DEPOSITS AND INVESTMENTS (Continued)**

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of June 30, 2005, the District had \$24,521,571 invested in the Public Treasurer's Investment Fund and was held by them.

## **3. PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the San Juan County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

### 3. PROPERTY TAXES (Continued)

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes age-based fee as revenue when the County collects it.

### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 282,505			\$ 282,505
Work in progress		\$ 93,664		93,664
Total capital assets not being depreciated	<u>\$ 282,505</u>	<u>\$ 93,664</u>	<u>\$ ...</u>	<u>\$ 376,169</u>
Capital assets being depreciated:				
Buildings	\$ 44,459,036	\$ 80,438	\$ (35,000)	\$ 44,504,474
Improvements	3,222,793	410,057	(19,080)	3,613,770
Vehicles	3,858,504	284,355	(43,378)	4,099,481
Technology	1,599,759			1,599,759
Equipment	<u>1,701,652</u>	<u>614,031</u>	<u>(37,045)</u>	<u>2,278,638</u>
Total capital assets being depreciated:	<u>\$ 54,841,744</u>	<u>\$ 1,388,881</u>	<u>\$ (134,503)</u>	<u>\$ 56,096,122</u>

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Accumulated depreciation for:				
Buildings	\$ 23,495,656	\$ 999,746	\$ (24,500)	\$ 24,470,902
Improvements	2,309,045	94,065	(1,894)	2,401,216
Vehicles	2,481,443	423,100	(43,378)	2,861,165
Technology	1,369,013	72,678		1,441,691
Equipment	978,734	265,681	(20,090)	1,224,325
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total accumulated depr.	\$ 30,633,891	\$ 1,855,270	\$ (89,862)	\$ 32,399,299
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total capital assets, being depreciated, net	\$ 24,207,853	\$ (466,389)	\$ (44,641)	\$ 23,696,823
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activities capital assets, net	<u>\$ 24,490,358</u>	<u>\$ (372,725)</u>	<u>\$ (44,641)</u>	<u>\$ 24,072,992</u>
 <b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 78,390			\$ 78,390
Work in progress	283,121		\$ (283,121)	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total capital assets not being depreciated	\$ 361,511	\$ ...	\$ (283,121)	\$ 78,390
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets being depreciated:				
Buildings	\$ 2,712,111	\$ 1,454,113	\$ (40,000)	\$ 4,126,224
Improvements	508,611			508,611
Equipment	47,315	15,100	(11,465)	50,950
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total capital assets being depreciated	\$ 3,268,037	\$ 1,469,213	\$ (51,465)	\$ 4,685,785
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Accumulated depreciation for:				
Buildings	\$ 1,271,125	\$ 103,742	\$ (24,000)	\$ 1,350,867
Improvements	28,023	12,715		40,738
Equipment	46,169	2,657	(11,465)	37,361
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total accumulated depr.	\$ 1,345,317	\$ 119,114	\$ (35,465)	\$ 1,428,966
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total capital assets, being depreciated, net	\$ 1,922,720	\$ 1,350,099	\$ (16,000)	\$ 3,256,819
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Business-type activities capital assets, net	<u>\$ 2,284,231</u>	<u>\$ 1,350,099</u>	<u>\$ (299,121)</u>	<u>\$ 3,335,209</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Instructional services	\$ 1,070,270
Supporting services	
Students	24,477
Staff	40,903
District administration	7,532
School administration	50,744
Business services	17,910
Operational and maintenance services	319,257
Transportation services	255,338
Central services	2,843
School lunch services	54,954
Capital assets held by the District's internal service fund are charged to the various functions based on their usage of the assets	<u>11,042</u>
Total depreciation expense - governmental activities	<u>\$ 1,855,270</u>

4. **CAPITAL ASSETS (Continued)**

Business-type Activities:

Rental units	\$ 115,582
Media center	<u>3,532</u>

Total depreciation expense -

Business-type activities	<u>\$ 119,114</u>
--------------------------	-------------------

Total depreciation expense

\$ 1,974,384

5. **PENSION PLANS**

At June 30, 2005, San Juan School District was participating in the following retirement plan:

**Utah State Retirement Systems**

As of June 30, 2005, San Juan School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer, defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System, and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and San Juan School District is required to contribute 8.89% of their annual covered salary. In the State and School Noncontributory Retirement System, San Juan School District is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.



5. **PENSION PLANS (Continued)**

The San Juan School District contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$54,623, \$48,153 and \$47,833 respectively and for the State and School Noncontributory Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$1,909,507, \$1,638,581 and \$1,429,029 respectively. The contributions were equal to the required contributions for each year.

**401(k) Defined Contribution Plan** – The employees of San Juan School District also participated in a 401(k) deferred compensation plan to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement Systems have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 are \$232,043, \$221,184 and \$216,101, respectively; employee contributions for the years ending June 30, 2005, 2004 and 2003 are \$285,731, \$308,330 and \$282,057, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

6. **LONG-TERM DEBT**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2006	\$ 360,000	\$ 209,709	\$ 569,709
2007	375,000	192,984	567,984
2008	395,000	175,224	570,224
2009	410,000	156,353	566,353
2010-2014	2,370,000	451,620	2,821,620
2015	550,000	14,163	564,163
	<u>\$ 4,460,000</u>	<u>\$ 1,200,053</u>	<u>\$ 5,660,053</u>

6. **LONG-TERM DEBT (Continued)**

**Revenue Bonds** – Revenue bonds payable at June 30, 2005, with their outstanding balances are comprised of the following individual issues:

**Governmental Activity:**

A \$6,540,000 G.O. Refunding Bonds Series 1997, due in annual installments from \$265,000 to \$550,000, beginning July 1, 1998, through July 1, 2014, interest of 4.375% through 5.150% per annum.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
G.O. Bonds CIB	\$4,805,000		\$ (345,000)	\$ 4,460,000	\$ 360,000
Other long-term liabilities:					
Capital Leases	612,932		(262,582)	350,350	286,202
Sick leave	469,489	\$ 13,605		483,094	
Early retirement	1,572,432	403,961	(484,503)	1,491,890	469,788
Governmental activity					
long-term liabilities	<u>\$7,459,853</u>	<u>\$ 417,566</u>	<u>\$ (1,092,085)</u>	<u>\$ 6,785,334</u>	<u>\$ 1,115,990</u>

7. **CAPITAL LEASES**

San Juan School District has entered into lease agreements as lessee for financing the acquisition of school buses and other vehicles to be used by the District. The District also has financed the acquisition of fitness equipment to be used in several of the High Schools. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Fitness equipment	\$ 474,356
Automobiles and buses	<u>1,776,514</u>
Total assets	\$ 2,250,870
Less: Accumulated Depreciation	<u>(1,560,566)</u>
Net assets	<u>\$ 690,304</u>

7. **CAPITAL LEASES**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

Years Ending <u>June 30,</u>	<u>Governmental Activities</u>
2006	\$ 298,868
2007	<u>67,362</u>
Total minimum lease payments	\$ 366,230
Less: amount representing interest	<u>(15,880)</u>
Present value of minimum lease payment	<u><u>\$ 350,350</u></u>

8. **CONTINGENT LIABILITIES**

San Juan School District has several pending lawsuits and notice of claims filed by different individuals and entities. The information presented by attorneys indicated that most of the outcomes of lawsuits are undeterminable at the date of audit, but the District is aggressively fighting these claims.

9. **SEGMENT INFORMATION**

The District operates two enterprise funds, the Rental Unit Fund and the Media Center Fund. The Rental Unit Fund records the transactions associated with the operation and maintenance of housing provided to teachers who live and teach in schools, which are in remote locations. The Media Center Fund consists of a commercial operation to provide media supplies and services to the District and others within the surrounding communities. Segment information is reported for these two funds because of material operating transfers into the funds or because of material enterprise fund operating income or loss.

9. **SEGMENT INFORMATION (Continued)**

A summary of the financial statements for these enterprise funds is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	<u>Rental Units</u>	<u>Media Center</u>
<b>Assets:</b>		
Current assets	\$ 344,807	\$ 275,725
Capital assets	<u>3,311,067</u>	<u>24,142</u>
Total assets	<u>\$ 3,655,874</u>	<u>\$ 299,867</u>
<b>Liabilities:</b>		
Current liabilities	<u>                    </u>	<u>\$ 442</u>
Total liabilities	<u>\$ ...</u>	<u>\$ 442</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	\$ 3,311,067	\$ 24,142
Restricted		275,283
Unrestricted	<u>344,807</u>	<u>                    </u>
Total net assets	<u><u>\$ 3,655,874</u></u>	<u><u>\$ 299,425</u></u>
<b>Capital Assets:</b>		
Additions	\$ 1,170,992	\$ 15,100
Retirements	(40,000)	(11,465)
Net working capital	344,807	275,283

9. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

	<u>Rental Units</u>	<u>Media Center</u>
Operating revenues	\$ 158,319	\$ 214,469
Depreciation expense	(115,582)	(3,532)
Other operating expenses	<u>(117,645)</u>	<u>(263,251)</u>
Operating income (loss)	<u>\$ (74,908)</u>	<u>\$ (52,314)</u>
Nonoperating revenue (expenses):		
Loss on sale of capital assets	\$ (9,820)	
Investment earnings	<u></u>	<u>\$ 12,851</u>
Total nonoperating revenue (expenses)	<u>\$ (9,820)</u>	<u>\$ 12,851</u>
Transfers:		
Transfer in	<u>\$ 1,170,992</u>	<u></u>
Total transfers	<u>\$ 1,170,992</u>	<u>\$ ...</u>
Change in net assets	\$ 1,086,264	\$ (39,463)
Beginning net assets	<u>2,569,610</u>	<u>338,888</u>
Ending net assets	<u><u>\$ 3,655,874</u></u>	<u><u>\$ 299,425</u></u>

9. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Rental Units</u>	<u>Media Center</u>
Operating revenues		
Charges for services	\$ 158,319	\$ 214,469
Depreciation expense	115,582	3,532
Operating income (loss)	(74,908)	(52,314)
Operating transfers in	1,170,992	
Net income (loss)	1,086,264	(39,463)
Property, plant and equipment:		
Additions	1,170,992	15,100
Net working capital	344,807	275,283
Total assets	3,655,874	299,867
Total equity	3,655,874	299,425

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:		
Operating activities	\$ 21,455	\$ (73,062)
Noncapital financing activities	1,098,302	
Capital and related financing activities	(1,164,811)	(15,100)
Investing activities		12,851
Net increase (decrease)	\$ (45,054)	\$ (75,311)
Beginning cash and cash equivalents	361,456	321,102
Ending cash and cash equivalents	<u>\$ 316,402</u>	<u>\$ 245,791</u>

10. **RISK MANAGEMENT**

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. The Utah State Risk Management Fund (USRMF) is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to USRMF; USRMF obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the district pays experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year.

11. **DESIGNATED FOR UNDISTRIBUTED RESERVE**

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

12. **RECEIVABLES**

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>RENTAL UNITS</u>	<u>NONMAJOR AND OTHER FUNDS</u>	<u>TOTALS</u>
Due from other Governments					
Local			\$ 28,405	\$ 68,599	\$ 97,004
State	\$ 81			46,670	46,751
Federal	2,022,131			80,585	2,102,716
Total	<u>\$ 2,022,212</u>	<u>\$ ...</u>	<u>\$ 28,405</u>	<u>\$ 195,854</u>	<u>\$ 2,246,471</u>
Property taxes	<u>\$ 1,157,270</u>	<u>\$ 2,000,556</u>	<u>\$ ...</u>	<u>\$ 639,882</u>	<u>\$ 3,797,708</u>

13. **INTERNAL BALANCES AND TRANSFERS**

Internal Balances – Included in internal balances on the financial statements are individual fund receivable and payable balances at June 30, 2004 as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Internal balance - Governmental Activities	\$ (8,354)	
Internal balance - Business Type Activities		\$ 8,354
Total internal balances	<u>\$ (8,354)</u>	<u>\$ 8,354</u>

Transfers – The following table provides a reconciliation of all interfund transfers:

	TRANSFERS OUT				
	GENERAL FUND	CAPITAL PROJECTS	NON K-12	BUILDING RESERVE	TOTAL
TRANSFER IN:					
School Lunch	\$ 39,000				\$ 39,000
Capital Projects			\$ 124,424	\$ 800,000	924,424
Rental Units		\$ 1,170,992			1,170,992
Totals	\$ 39,000	\$ 1,170,992	\$ 124,424	\$ 800,000	\$ 2,134,416



**14. OTHER RETIREMENT BENEFITS**

During the year ended June 30, 2002, the District changed its post retirement benefit plan, which supersedes any and all prior early retirement policies, incentive, or offers. A summary of the newly adopted plan is listed below. For further details on the plan, refer to District policy 4150.16. Former employees who have retired previously retain the benefits of the policy, which was in effect at the time of their retirement.

The District provides post retirement benefits to certain full time employees, licensed, administrative, or classified, who works six or more hours per day for 180 days or more per year. Retiring employees must also meet the following eligibility requirements:

1. Be a full-time employee as defined by the District policy 4150.16;
2. Have completed a minimum of twenty years of qualifying District employment service credit under the licensed, administrative, or classified salary schedule with five years immediately preceding the date of application for retirement;

Be eligible for and meet all requirements for retirement under the provisions of the Utah Retirement System.

When employees have met eligibility requirements and followed the required retirement application procedures they may begin to receive post retirement benefits. These benefits are available for a maximum of five years. They consist of eligible employees receiving an annual benefit equal to thirty percent of their highest contract salary for the past five years. These employees may also purchase, at their own expense, health and accident insurance as part of the District's insurance plan at the rate charged for retirees. In addition, the District will continue to provide life insurance coverage for the retiree and dependents for the period the retiree receives the District Retirement Benefit.

The District Retirement Benefit will terminate at the earliest of the following. (1) The end of the five-year period. (2) The time when the Social Security benefit is equal to or greater than the amount for which the employee is eligible. (3) The death of the retiree.

The San Juan School District funds the cost of post retirement benefits on a pay-as-you-go basis. For the year ended June 30, 2005, the District paid \$484,503 in other post retirement benefits including salary continuation, health insurance and sick leave. The District currently has 40 employees that are eligible for other post retirement benefits.

**SAN JUAN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u> <u>FINAL BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES:				
Property taxes	\$ 1,114,318	\$ 1,235,933	\$ 1,262,445	\$ 26,512
Earnings on investments	277,682	450,000	468,261	18,261
Other local sources	1,108,000	814,067	513,381	(300,686)
State aid	16,563,592	16,563,592	16,228,252	(335,340)
Federal aid	12,431,687	12,431,687	10,902,650	(1,529,037)
Total revenues	<u>\$ 31,495,279</u>	<u>\$ 31,495,279</u>	<u>\$ 29,374,989</u>	<u>\$ (2,120,290)</u>
EXPENDITURES:				
Current:				
Instructional services	\$ 18,113,561	\$ 18,113,561	\$ 16,634,487	\$ 1,479,074
Supporting services:				
Students	1,488,615	1,488,615	1,495,947	(7,332)
Instructional staff	2,478,630	2,478,629	2,357,105	121,524
District administration	327,249	327,249	284,998	42,251
School administration	1,876,744	1,876,744	1,593,113	283,631
Operation and maintenance of facilities	3,670,727	3,670,727	3,789,402	(118,675)
Transportation	2,216,730	2,216,730	2,018,775	197,955
Central	1,249,612	1,249,612	865,164	384,448
Other support	5,000	5,000	1,205	3,795
Total expenditures	<u>\$ 31,426,868</u>	<u>\$ 31,426,867</u>	<u>\$ 29,040,196</u>	<u>\$ 2,386,671</u>
Excess of revenue over (under) expenditures	<u>\$ 68,411</u>	<u>\$ 68,412</u>	<u>\$ 334,793</u>	<u>\$ 266,381</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ (39,000)</u>	<u>\$ (4,000)</u>
Total other financing sources (uses)	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ (39,000)</u>	<u>\$ (4,000)</u>
Net change in fund balances	<u>\$ 33,411</u>	<u>\$ 33,412</u>	<u>\$ 295,793</u>	<u>\$ 262,381</u>
Fund balances - beginning of year	<u>11,230,094</u>	<u>11,230,094</u>	<u>11,230,094</u>	
Fund balances - end of year	<u>\$ 11,263,505</u>	<u>\$ 11,263,506</u>	<u>\$ 11,525,887</u>	<u>\$ 262,381</u>

SAN JUAN SCHOOL DISTRICT  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005

	SPECIAL REVENUE				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL LUNCH	NON K-12 PROGRAMS	SAN JUAN EDUCATION FOUNDATION	DEBT SERVICE	
<b>ASSETS</b>					
Cash and investments	\$ 175,969	\$ 19,343	\$ 76,646	\$ 745,050	\$ 1,017,008
Inventory	28,681				28,681
Due from other governments	67,821	65,038		13,581	146,440
Property taxes receivable		132,039		507,843	639,882
<b>Total assets</b>	<b>\$ 272,471</b>	<b>\$ 216,420</b>	<b>\$ 76,646</b>	<b>\$ 1,266,474</b>	<b>\$ 1,832,011</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 28				\$ 28
Deferred revenue:					
Property taxes		\$ 132,039		\$ 507,843	639,882
Other governments	28,681	38,984			67,665
<b>Total liabilities</b>	<b>\$ 28,709</b>	<b>\$ 171,023</b>	<b>\$ ...</b>	<b>\$ 507,843</b>	<b>\$ 707,575</b>
Fund balances:					
Reserved for debt service				\$ 758,631	\$ 758,631
Designated for Preschool and Adult Ed.		\$ 45,397			45,397
Unreserved	\$ 243,762		\$ 76,646		320,408
<b>Total fund balances</b>	<b>\$ 243,762</b>	<b>\$ 45,397</b>	<b>\$ 76,646</b>	<b>\$ 758,631</b>	<b>\$ 1,124,436</b>
<b>Total liabilities and fund balances</b>	<b>\$ 272,471</b>	<b>\$ 216,420</b>	<b>\$ 76,646</b>	<b>\$ 1,266,474</b>	<b>\$ 1,832,011</b>

**SAN JUAN SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL LUNCH	NON K-12 PROGRAMS	SAN JUAN EDUCATION FOUNDATION	DEBT SERVICE	
<b>REVENUES:</b>					
Property tax		\$ 144,655		\$ 647,782	\$ 792,437
School lunch sales	\$ 222,219				222,219
Earnings on investments		973	\$ 1,191	566	2,730
Other local revenues		7,525	39,233		46,758
State aid	128,199	538,175			666,374
Federal aid	903,277	162,222	13,000		1,078,499
<b>Total revenues</b>	<b>\$ 1,253,695</b>	<b>\$ 853,550</b>	<b>\$ 53,424</b>	<b>\$ 648,348</b>	<b>\$ 2,809,017</b>
<b>EXPENDITURES:</b>					
Current:					
Instructional services		\$ 736,540	\$ 28,431		\$ 764,971
Supporting services:					
School lunch services	\$ 1,229,826				1,229,826
Debt service:					
Principal retirement				\$ 345,000	345,000
Interest and fiscal charges				226,071	226,071
<b>Total expenditures</b>	<b>\$ 1,229,826</b>	<b>\$ 736,540</b>	<b>\$ 28,431</b>	<b>\$ 571,071</b>	<b>\$ 2,565,868</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 23,869</b>	<b>\$ 117,010</b>	<b>\$ 24,993</b>	<b>\$ 77,277</b>	<b>\$ 243,149</b>
<b>Other financing sources (uses):</b>					
Transfers out		\$ (124,424)			\$ (124,424)
Transfers in	\$ 39,000				39,000
<b>Total other financing sources (uses)</b>	<b>\$ 39,000</b>	<b>\$ (124,424)</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ (85,424)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ 62,869</b>	<b>\$ (7,414)</b>	<b>\$ 24,993</b>	<b>\$ 77,277</b>	<b>\$ 157,725</b>
<b>Fund Balances - Beginning of year</b>	<b>180,893</b>	<b>52,811</b>	<b>51,653</b>	<b>681,354</b>	<b>966,711</b>
<b>Fund Balances - End of year</b>	<b>\$ 243,762</b>	<b>\$ 45,397</b>	<b>\$ 76,646</b>	<b>\$ 758,631</b>	<b>\$ 1,124,436</b>

**SAN JUAN SCHOOL DISTRICT**  
**COMPARABILITY COST SUMMARY BY SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	DISTRICT OFFICE	DISTRICT WIDE	DETENTION CTR/JAIL	BLANDING ELEMENTARY	BLUFF ELEMENTARY	HALLS CROSSING ELEMENTARY	LA SAL ELEMENTARY	MEXICAN HAT ELEMENTARY	MONTEZUMA CREEK ELEMENTARY
Enrollment		2,912	6	527	63		15	212	185
Student Service and Operations:									
Instructional:									
Salaries and benefits:		\$ 1,216		\$ 1,241,815	\$ 290,993		\$ 133,659	\$ 753,596	\$ 505,342
Basic program		56,637		75,034	64,256			72,133	64,962
Bilingual and ESL									
Vocations									
Special Programs		157,624	\$ 117,281	680,953	226,753	\$ 4,806	9,927	433,018	284,403
Supplies and books		199,520	364	77,132	42,618		9,147	73,399	65,401
Equipment and repair		96,638		25,667	1,062			14,232	5,626
Training/Purchase services			521	187,360	23,742	150	4,555	93,742	80,687
Other		205,940							
Counseling				103,413	15,729		2,798	51,577	44,105
Media services		14,178		103,793	5,169		730	63,570	76,344
Support services				308,951	41,021		10,003	123,803	110,308
Administration - Schools				151,977	121,352		6,492	124,571	129,797
Administration - District		2,000		8,814	2,933	432	984	3,856	3,916
Student transportation				255,571	41,910		6,172	189,034	166,934
Building, maintenance and utilities		973,486		150,478	77,227	999	34,076	165,988	189,637
Total student services and operations		\$ 2,046,578	\$ 118,366	\$ 3,370,958	\$ 954,765	\$ 6,387	\$ 218,543	\$ 2,162,519	\$ 1,727,462
Equipment, Maintenance and Debt Service:									
Instructional equipment		\$ 312,991		\$ 13,051	\$ 7,433		\$ 2,652	\$ 25,246	\$ 6,756
Support Services equipment		83,700		638	1,745			7,259	
Maintenance/Custodial equipment		106,511		5,135	463		32,287	5,535	14,389
Building improvement		102,073		24,034	1,945	\$ 717	118,927	13,873	35,429
New construction and debt							8,716	904	6,253
Total equipment, maintenance and debt service		\$ 292,284	\$	\$ 42,858	\$ 11,586	\$ 717	\$ 162,582	\$ 52,817	\$ 62,827
Other Services:									
Food Services		\$ 114,533	\$ 14,975	\$ 179,281	\$ 56,399		\$ 20,011	\$ 102,026	\$ 112,296
Community services/Other		\$ 85,525	33,005	88,483	35,595		7,107	70,967	48,076
Total other services		\$ 85,525	\$ 47,980	\$ 267,764	\$ 91,994	\$	\$ 27,118	\$ 172,993	\$ 160,372
Total governmental funds		\$ 2,424,387	\$ 166,346	\$ 3,681,580	\$ 1,058,345	\$ 7,104	\$ 408,243	\$ 2,388,329	\$ 1,950,661
Housing costs		\$	\$	\$	\$	\$	\$ 1,154	\$ 27,625	\$ 56,608
GRAND TOTAL		\$ 2,424,387	\$ 166,346	\$ 3,681,580	\$ 1,058,345	\$ 12,666	\$ 409,397	\$ 2,415,954	\$ 2,007,269

SAN JUAN SCHOOL DISTRICT  
COMPARABILITY COST SUMMARY BY SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2005

	MONTICELLO ELEMENTARY	ALBERT R. LYMAN MIDDLE	MONTICELLO HIGH	MONUMENT VALLEY HIGH	SAN JUAN HIGH	WHITE- HORSE HIGH	NAVAJO MOUNTAIN HIGH	TOTAL
Enrollment	316	320	289	210	400	325	50	2,912
Student Service and Operations:								
Instructional:								
Salaries and benefits:								
Basic program	\$ 693,163	\$ 872,743	\$ 863,241	\$ 647,242	\$ 1,044,258	\$ 806,310	\$ 258,579	\$ 8,112,157
Bilingual and ESL	15,417	76,755	24,954	487	78,245	128,824	8,317	666,021
Vocational		4,164	188,373	146,109	299,512	175,172	48,947	2,777,042
Special Programs	358,322	340,206	287,348	283,941	333,876	569,183	55,448	2,696,105
Supplies and books	70,003	65,982	85,282	87,095	104,072	144,785	20,120	720,564
Equipment and repair	13,085	24,858	49,518	55,550	88,042	56,998	46,303	725,111
Training/Purchase services	87,869	98,114	78,961	99,046	151,188	112,791	13,910	847,819
Other		9,296	13,512	15,587	19,463	25,800	6,019	307,299
Counseling	58,941	253,059	232,225	250,509	239,447	234,318	9,826	1,542,109
Media services	70,122	74,430	70,767	63,876	66,093	62,370	1,567	1,003,311
Support services	190,766	181,842	162,799	117,971	221,069	185,441	31,329	1,625,406
Administration - Schools	123,895	153,495	158,211	155,758	190,312	168,106	109,147	2,154,951
Administration - District	5,774	6,355	9,084	9,696	14,831	7,257	1,139	713,757
Student transportation	158,285	208,093	187,616	224,802	244,610	282,718	53,029	3,375,747
Building, maintenance and utilities	163,709	178,965	306,626	341,000	324,948	305,364	152,194	1,772,806
Total student services and operations	\$ 2,009,351	\$ 2,548,357	\$ 2,718,517	\$ 2,498,669	\$ 3,419,966	\$ 3,265,437	\$ 815,874	\$ 29,040,205
Equipment, Maintenance and Debt Service:								
Instructional equipment	\$ 11,521	\$ 22,674	\$ 19,337	\$ 13,199	\$ 31,911	\$ 50,194	\$ 3,848	\$ 521,013
Support Services equipment		662	676	1,645		14,267		141,354
Maintenance/Custodial equipment	7,467	2,931	27,044	12,517	9,804	9,804	287	371,975
Building improvement	12,832	53,719	14,802	3,255	34,384	37,757	1,217	454,964
New construction and debt	536	295	8,460	211,729	90,635	2,137	594	902,218
Total equipment, maintenance and debt service	\$ 32,356	\$ 80,281	\$ 70,519	\$ 242,345	\$ 166,734	\$ 114,159	\$ 5,946	\$ 2,391,524
Other Services:								
Food Services	\$ 89,701	\$ 105,665	\$ 68,870	\$ 103,268	\$ 76,338	\$ 159,552	\$ 26,912	\$ 1,229,827
Community services/Other	32,173		170	10,187	1,913		13,107	736,541
Total other services	\$ 121,874	\$ 105,665	\$ 69,040	\$ 113,455	\$ 78,251	\$ 159,552	\$ 40,019	\$ 1,966,368
Total governmental funds	\$ 2,163,581	\$ 2,734,303	\$ 2,858,076	\$ 2,854,469	\$ 3,664,951	\$ 3,539,148	\$ 861,839	\$ 33,398,097
Housing costs	\$ ...	\$ ...	\$ ...	\$ 61,970	\$ ...	\$ 56,608	\$ 20,988	\$ 233,225
GRAND TOTAL	\$ 2,163,581	\$ 2,734,303	\$ 2,858,076	\$ 2,916,439	\$ 3,664,951	\$ 3,595,756	\$ 882,827	\$ 33,631,322
FUNDS HELD IN TRUST (San Juan County Recreation and San Juan Education Foundation)								118,431
TOTAL EXPENDITURES								\$ 33,749,753

**SMUIN, RICH & MARSING**

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**MEMBERS**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education  
San Juan School District  
Blanding, Utah 84511

RE: Report on Legal Compliance with Applicable  
Utah State Laws and Regulations

We have audited the basic financial statements of San Juan School District for the year ended June 30, 2005 and have issued our report thereon dated August 31, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2005.

The District received the following major State assistance programs from the State of Utah.

Minimum School Program (State Office of Education)  
School Lunch Programs (State Office of Education)

The District also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Driver Training (State Office of Education)  
State Appropriation (State Office of Education)  
Early Intervention (State Office of Education)  
Tobacco Prevention (State Office of Education)  
UPASS (State Office of Education)  
Professional Development (State Office of Education)  
Arts Education (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements

Budgetary Compliance  
Property Tax  
Other Compliance Requirements

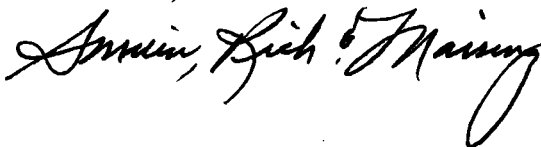
The management of San Juan School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, San Juan School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Armin Rich Marsing", written in black ink.

Price, Utah

August 31, 2005



# SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education  
San Juan School District  
Blanding, Utah 84511

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements  
Performed in Accordance With Govern-  
ment Auditing Standards

We have audited the financial statements of San Juan School District as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUTN, RICH & MARSING

*Amun, Rich & Marsing*

Price, Utah

August 31, 2005

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Honorable Board of Education  
San Juan School District  
Blanding, Utah 84511

RE: Report on Compliance With Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance With OMB Circular A-133

### Compliance

We have audited the compliance of San Juan School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

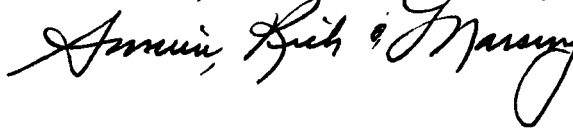
### Internal Control Over Compliance

The management of San Juan School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING



Price, Utah

August 31, 2005

**SAN JUAN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2005
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Direct Program:							
84.041	PL 874		\$ 6,488,546	\$ 6,488,546	\$ 6,488,546		*
84.184	Safe and Drug-Free Learning		2,848,213	1,108,236	1,108,236		*
84.334A	Clear-up		620,300	575,577	575,577		*
84.060	Title VII - Indian Education		308,048	307,261	307,261		*
	Total Direct Programs		\$ 10,265,107	\$ 8,479,620	\$ 8,479,620		\$
<b>Passed through State Department of Education:</b>							
84.318	Technology Literacy Challenge		\$ 75,171	\$ 55,207	\$ 55,207	\$ 51,512	\$ 3,695
84.027	IDEA PL 101476		1,272,889	673,792	673,792	673,142	650
84.173	P.L. 99-457 EHA-B Preschool		184,013	70,442	70,442	70,442	
84.048	Vocational Education - Carl Perkins		287,512	155,502	155,502	145,081	10,421
84.367	Improve Teacher Quality		627,571	375,549	375,549	375,549	
84.002	Adult Basic Education		144,706	16,483	16,483	16,483	
84.186A	Drug-Free Schools		74,883	35,260	35,260	35,260	
84.181	Early Intervention		137,714	119,328	119,328	119,328	
84.365	Formula Flow Through		158,759	106,248	106,248	106,248	
84.010	Title I Basic & Consecutive		2,533,856	1,178,617	1,178,617	1,178,617	*
84.318X	Title IID Educational Technology		94,065	42,814	42,814	42,814	
84.000	Collection Other Grants - Daniels Fund		4,901	4,896	4,896	4,896	
84.357	Read First		883,755	477,910	477,910	477,910	
	Total pass through State Department of Education		\$ 6,479,795	\$ 3,312,048	\$ 3,297,282	\$ 3,297,282	\$ 14,766
	Total Department of Education		\$ 16,744,902	\$ 11,791,668	\$ 11,776,902	\$ 11,776,902	\$ 14,766

**SAN JUAN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2005
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
Passed through State Department of Agriculture:							
National School Lunch Program	10.555		\$ 678,600	\$	\$ 660,625 *	\$ 660,625 *	
National School Breakfast Program	10.553		218,181		173,291 *	173,291 *	
U.S.D.A. Commodities	10.550		68,778		68,778	68,778	
National School Lunch - Special Milk	10.556		797		583	583 *	
Total Department of Agriculture			\$ 966,356	\$	\$ 903,277	\$ 903,277	\$
<b>U.S. DEPARTMENT OF THE INTERIOR</b>							
Passed through Navajo Nation: Indian Education	15.130		\$ 255,209		\$ 109,440	\$ 109,440	
Total Department of the Interior			\$ 255,209	\$	\$ 109,440	\$ 109,440	\$
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed through Northern Navajo Medical Center	93.990		\$ 26,700		\$ 22,651	\$ 22,651	
National Health Promotion			\$ 26,700	\$	\$ 22,651	\$ 22,651	\$
Total Department of Health and Human Services			\$ 17,993,167	\$	\$ 12,827,036	\$ 12,812,270	\$
Total Federal Assistance							\$ 14,766

\* Major programs (some programs were part of a cluster)

**SAN JUAN SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the San Juan School District (District). The District reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types, which is described in Note 1 to the basic financial statements.

Food commodities are non-cash federal awards. The calculation of the federal award expenditure is equal to the amount of commodities consumed during the year, expressed at market value. Market values are received monthly from the USDA detailing the market value of the USDA goods received for the month.

**SAN JUAN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of San Juan School District.
2. There were no reportable conditions and no material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of San Juan School District were disclosed by the audit.
4. There was no reportable condition or material weakness in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for San Juan School District expresses an unqualified opinion.
6. The audit of San Juan School District's major program disclosed no audit findings relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
PL 874	84.041
School Breakfast Program	10.553
Safe and Drug Free Learning	84.184
School Lunch Program	10.555
Gear-up	84.334A
Title VII – Indian Education	84.060
Title I Basic & Consecutive	84.010
Idea PL 101476	84.027
National School Lunch – Special Milk	10.556

8. The threshold for distinguishing Type A programs was \$384,938.
9. San Juan School District was determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None



**SAN JUAN SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

San Juan School District had no prior audit findings that were required to be reported in the previous audited financial statements.

# SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education  
San Juan School District  
Blanding, Utah 84511

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of San Juan School District for the year ended June 30, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems, policies and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

## INTERNAL CONTROL AND COMPLIANCE

### **ADULT EDUCATION**

The Utah State Office of Education allocates funds to local school districts for Adult Basic Education and Adult High School Completion Programs. The objectives of the Adult Education Program is to ensure; 1) information in the Utah Report of Adult Education Data (URAED) report agrees with the information found in the files or student accounting systems of the adult education program and 2) records for Adult Education meet the requirements of Rule R277-733 and the Policies and Procedures Guide for the Adult Education Program. While auditing the Adult Education Program we found the follow areas where documentation were lacking:

1. For each student enrolled in the Adult Education Program, the District's student accounting system is to include; the student's name, gender, ethnicity, name of school enrolled at, class, category of class, name of instructor, entry and exit date, attendance record, contact hours for each class, units of credit awarded, student's level code and student's demographic code. Of the twenty students tested, all students had some elements in their records and sixteen students contained all of the criteria required.
2. For each student enrolled, the student accounting system records the number of contact hours or hours they participate. We reviewed the number of participation hours recorded for twenty students and documentation supporting their participation. We found that sixteen of the twenty students had all of the appropriate documentation to support the participation hours recorded in the student accounting system.
3. For each student enrolled, the student accounting system records the level gains that have been achieved for each student. We reviewed the number of level gains recorded in the URAED and the number from our sample. It was very apparent that the number recorded in the report was significantly lower than the level gains achieved.

We recommend the District's management continue to monitor the Adult Education Program and provide the necessary assistance to meet legal compliance requirements. We also recommend that District employees continue their efforts in obtaining and reporting adequate information, so compliance with program requirements can be verified and achieved.

**District Response** – This item was reported in the last management letter. We responded that internal controls would be changed to make sure adequate documentation was being maintained and that training would be provided to personnel working in the Adult Education Program. In the past year, we have provided the training and modification of internal controls to improve compliance with program guidelines. We will meet with employees of the Adult Education Program again and make the necessary changes and improvements to bring the program into compliance.

## **CASH RECEIPTING PROCEDURES**

As part of auditing procedures, we examined different locations where funds were being collected and felt that internal controls over cash receipting could be improved at the District Office and Media Center. The District receives funds from a number of different sources. They receive direct deposits to their bank account for funds received from the State of Utah and interest earned from banks. They also receive reimbursements from governmental agencies for program revenues and miscellaneous cash collections for goods and services in the form of checks and cash. Currently, the District is not issuing a receipt for all funds that are received. We recommend the District issue a receipt for any funds that they collect. In addition it should be indicated on each receipt whether funds received were cash or check. By following these steps, internal control over cash receipting can be improved.

From review of the Media Center's cash receipting procedures, we found they are using work orders to control whether money has been collected for services rendered. This may be an adequate procedure for the Center to control their accounts receivables but does not provide control over cash receipts. To provide internal control over funds received, the Center should issue cash receipts for all funds they collect. Also, when the Media Center takes their funds to the District Office they should receive a receipt from the District showing that funds have been turned over to the District. We recommend the Center issue receipts for all funds collected and retain hard copies of receipts issued.

**District Response** – We will review the Media Center's internal controls over cash collections and receipting and adopt and implement internal control procedures that are necessary to safeguard assets and make sure all transactions are properly recorded in the financial records of the District.

## **SEPARATION OF ACCOUNTING FUNCTIONS**

One important method to increase the internal control structure of any entity is to separate certain accounting functions among different employees. Cash receipting functions should be separated from recording transactions in the financial statements. An employee also should not have the ability to disburse money from bank accounts whether through the process of issuing checks or transferring money from one bank account to another if they also have the ability to record transactions in the financial records. While reviewing job responsibilities of some employees of the District, we found that the District Accountant receipts funds, makes reimbursement requests for grants, writes many adjusting journal entries and is responsible for recording accounting transactions. It appears that some elements of the District Accountant's responsibilities should be assigned to others. In other cases it would be prudent to require approval of certain transactions. We recommend that the responsibility of receipting and depositing money be assigned to someone other than the District Accountant. It is also recommended that the District Accountant not be authorized to transfer funds from bank accounts or be able to disburse any District funds. To further improve internal control, we would recommend that all adjusting journal entries be approved.

The above recommendations have been made to help improve the internal control structure of the District with respect to certain job responsibilities and have nothing to do with the performance of employees.

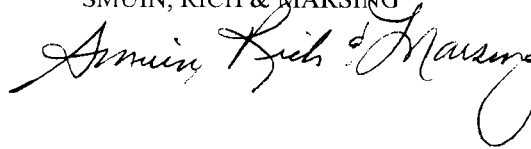
**District's Response** – We will review the responsibilities of the District Accountant and make those changes that we feel are necessary to improve internal controls associated with handling District funds and recording financial transactions.

**SUMMARY**

We feel the accounting procedures, compliance and internal control items mentioned above are some areas where the District can make changes to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operational efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Armin Rich Marsing". The signature is written in dark ink and is positioned below the printed name "SMUIN, RICH & MARSING".

Price, Utah

October 18, 2005